

CENTRAL INTELLIGENCE AGENCY

25X1A

REPORT NO.

## INFORMATION REPORT

John

COUNTRY Germany (Russian Zone)

DATE DISTR. 22 June 1949

SUBJECT Meeting of the Business Managers of  
25X1C State-Owned Chemical Enterprises

NO. OF PAGES

NO. OF ENCLS.  
(LISTED BELOW)

25X1A

25X1X

SUPPLEMENT TO  
REPORT NO.

*Mark*  
The attached translation of the minutes of a meeting of the business  
managers of the state-owned chemical enterprises is sent to you in  
compliance with your request.

*Return to CIA Library*RETURN TO RECORDS CENTER  
IMMEDIATELY AFTER USE  
JOB 53-103 BOX

CLASSIFICATION

CONFIDENTIAL

STATE	NAVY	NSRB	ORE	X	DISTRIBUTION								
ARMY	AIR												

*6h. HITZ**28.5.3*  
49 10821

Chemnitz, 7 January 1949  
25X1A

Record of the Conference of Business Managers  
of the Federations of People's-Owned  
Enterprises  
at Chemnitz, 7 January 1949

Attending:      Messrs. Dr. Langwieler, "Alcid", Aumendorf bei Halle  
                   Duebler              "Organa", Halle  
                   Marquardt              "Organa", Halle  
                   Scheer              "Potassium and Salts", Halle  
                   Suchanek              "Coal Products", Halle  
                   Woelfer              "Coal Products", Halle  
                   Nowak              "Oxyka", Radebeul  
                   Nuthman              "Plastics, Lacquers, and Paints", Leipzig  
                   Dr. Mueller              "Sapotex", Chemnitz  
                   Trommer              "Sapotex", Chemnitz  
                   Heidrich              "Sapotex", Chemnitz  
                   Horn              "Sapotex", Chemnitz  
                   Tobias              "Sapotex", Chemnitz  
                   Greeger and  
                   Unger              "Pharma", Halle  
                   Koeppen              "Variochem", Halle

Agenda: see minutes

Point 1: Balance questions

Quarterly balances on 30 September 1948:

In regard to the results of operations it was pointed out that "Coal Products" did not suffer a loss, but showed a profit of 288,000 DM. The statements of "Oxyka" must be cleared up regarding the amounts before and after deduction of corporation tax.

25X1A

CONFIDENTIAL

**CONFIDENTIAL**

Final balances as of 31 December 1948:

The Federations pointed out that the Auditing and Trusteeship Department is to check the final balances together with the final opening balances. All concerned are of the opinion that the Auditing and Trusteeship Department will hardly be able to carry out this job before the end of March. It was also stated that a balance for the partial fiscal year 1 Flumpfgeschäftsjahr 7 (July 1 to 31 December 1948) must be made out. The balance for the fourth quarter of 1948 will be dispensed with.

It is agreed that for the time being the compilation of the balance of the Federations from the balances of the individual plants will be carried out only on the books.

Point 2: Planning questions

The second regulation for the execution of the order governing the budgets of the people's-owned enterprises was discussed in detail and Forms 1 - 7 of the budget plan were explained. On the basis of a telephone message from Berlin, the Federations were informed that a meeting will take place at the German Economic Commission in Berlin, on 17 January 1949, at 1100 hours, at the invitation of the Director of the Main Administration for Finance, concerning these planning tasks. Invited are:

All chief directors

All business managers

All responsible chiefs of the accounting departments of the Federations.

The data for the planning for the first quarter of 1949 are to be obtained at the earliest date. The old forms of the type in use to date may still be used.

In connection with Forms 7 and 8, the Federations were informed of the status of the negotiations with the Chemistry Administration of the

25X1A

**CONFIDENTIAL**

**CONFIDENTIAL**

Soviet Military Administration on the use of the sinking fund and also concerning the planned investments for 1949.

Point 3: Tax questions

The Federations pointed out in re point 3 that no liquid means for the payment of taxes, especially of corporation taxes, are available, and that no credit has been made available by banks for their payment. The Finance Offices, however, charge interest and fees on back taxes and threaten compulsory collection. Up to now we have succeeded in refusing to pay the fees. But the Finance Offices insist on payment in the future. It is necessary to find out the attitude of the Main Administration on this problem. Messrs Woelfer and Nuthman have undertaken the task of submitting the proper data to the Main Administration for Chemistry.

Furthermore, attention should be paid to the fact that the Finance Offices have set up special examining commissions for checking on black-market activities. The police are represented on these commissions. The plants are therefore to be particularly advised on the subject of the "black market".

Point 4: Budget questions

It was decided that the budget plans for the fiscal year 1949 and for the April - June quarter of 1949 are to be discussed after the conference to be held in Berlin on 17 January in connection with Point 2. The Federations are requested to bring the required data along.

Point 5: Finance questions

The Federations are requested to report to the Main Administration for Chemistry, during the meeting of the chief directors on 12 January, on the status of the blocked accounts as of 31 December 1948; also on the required total blocked amounts and on the status of promissory notes

25X1A

**CONFIDENTIAL**

~~CONFIDENTIAL~~

notes as of ~~Dec~~ 31 December 1948.

### Point 6: Auditing

The formal examination of the opening balances is about 80 percent completed. Since new regulations on valuations were just issued by Auditing and Trusteeship in December 1948, these examinations have been stopped in favor of the final auditing for 30 June 1949.

No reports on auditing are available from any Federation. Special auditing, with the exception of a few minor cases, was not carried out.

### Point 7: Price questions

The Federations were advised of the circular of the Soviet Military Administration, Finance Administration, No. 19/3860 of 9 December 1948.

"Alcid" was advised to carry out an investigation of the pricing of sulfuric acid, especially of the special price in use at the Weissig Sulfuric Acid Plant (an "Alcid" plant) for shipments to the fluorine plant (also an "Alcid" plant).

#### Point 8: Financial statements

Turnover and profits for November were discussed in detail. They showed the following:

For "Coal Products" -- subsidies paid out	October	1819
	November	2092
"Oxyka" -- October profits		105
"Sapotex" -- Turnover, October		7763
Profits, October		528
"Pharma" -- Profits, October		80
"Variochem" -- Profits, October		175

Point 9: Fachkontenrahmen

See minutes

#### Point 10: Miscellaneous

### Designation of the Plants

The designation of the plants was discussed in detail. Requests for

25X1A

**CONFIDENTIAL**

minor changes by the Federations will be submitted to the Main Administration.

Taking Over of New Plants for Zonal Administration

See minutes.

Depreciation Scales

See minutes

Reserve Fund for the Potassium Industry

Since there have been only two mining accidents in the potassium industry in the past 25 years, and since these did not result in any damage claims by outsiders, it is agreed not to put aside any funds for mining accidents.

Voluntary Social Welfare Contributions

Class 4 account No. 445/449 "Other social welfare expenses" is abolished and the account 4690 "Plant welfare" set up instead. Subdividing is to be done statistically.

Leipzig Trade Fair

The Federations point out emphatically that the preparations for the Leipzig Trade Fair have so far not gone smoothly by any means. Above all, the site plan is still not available, so that any kind of planning has been made impossible.

The commission for examination of the goods has still not met to select the products which are actually to go on display. The procurement of material will probably be very difficult, and can be solved only by

25X1A

**CONFIDENTIAL**

**CONFIDENTIAL**

obtaining a special allocation for the Fair. Material from the normal allocation is not available for this purpose.

Professor Stam so far has received no directions for the layout. The Federations' delegates in charge of Trade Fair matters have made futile trips, without receiving any clear instructions. Mr. Duebler points out that, in spite of the promise to give the people's-owned enterprises due consideration in assi~~gning~~ of space, ~~Fahlberg~~ Fahlberg-List, the leading pharmaceutical enterprise, is to be housed in an altogether impossible location on the fifth floor of the "Dresdner Hof", while the conditions in the "Zeissig House" are also abominable. Professor Stam gave the Federations the new information that the Federations are responsible for arrangement of the Fair, especially the procurement of materials and the building of the booths. Something must be done about this matter, because otherwise the proper arra~~nging~~ of the Fair will be impossible due to the late date.

Mr. Nuthmann has undertaken the task of clearing up this matter with the organization office at Leipzig. The Main Administration for Chemistry will attempt to settle these questions with the German Economic Commission. This point is to be taken up again at the meeting of the chief directors on 12 January 1949.

Next Meeting:

Friday, 4 February 1949, at 1100 hours, in Berlin.

/signed -- Alfred Sy/

25X1A

**CONFIDENTIAL**

~~CONFIDENTIAL~~

Berlin, 3 January 1949

Minutes of the Meeting of Business Managers of the  
 Federation of People's Owned Enterprises  
 at Chemnitz, 7 January 1949

## Agenda:

## 1. Balance questions

Quarterly balances as of 30 September 1948

Final balances as of 31 December 1948

## 2. Planning questions

Cost planning for 1949

## 3. Tax questions

## 4. Budget questions

October - December 1948

January - March 1949

April - June 1949, April 1949 - March 1950

## 5. Finance questions

Credit plans 1949/50

Conditions of payment for the Soviet Corporation enterprises

## 6. Auditing

## 7. Price questions

Price increases for export shipments

Group prices for lacquers and paints

## 8. Financial statements

Monthly reports

Annual report for the partial fiscal year (July 1 - December 31, 1948)

9. Fachkontenrahmen

## 10. Miscellaneous

Designation of the plants

Taking over of new plants into zonal administration

25X1A

~~CONFIDENTIAL~~

**CONFIDENTIAL**

Depreciation scales

Reserve fund for the potassium industry

Voluntary social welfare contributions

Leipzig Trade Fair

Next meeting.

Point 1: Balance questions

Quarterly balances as of 30 September 1948

On the basis of the balances submitted, the Main Administration for Chemistry showed the following profits for the first quarter-year of zonal administration:

	Profits Before Deduction of (in 1000 DM)	Net Profits After Corporation Tax
1. "Alcid"	447 567.53	447 567.53
2. "Organa"	278 775.20	1 105 512.10
3. "Potassium and Salts"	304 474.13	968 844.13
4. "Coal Products"	288 221.75	228 221.75
5. "Oxyka"	668 316.26	775 052.26
6. "Plasta"	18 125.20	54 297.50
7. "Lacquers and Paints"	526 644.20	1 516 833.20
8. "Sapotex"	1 694 574.30	4 028 371.54
9. "Pharma"	69 871.76	207 002.92
10. "Variochem"	188 200.30	541 059.80
 Main Administration for Chemistry	 3 093 212.07	 8 461 184.17

(TN: The two columns of figures seem to be reversed in order. It is also doubtful whether these figures are in 1000 DM.)

Final balances as of 31 December 1948

Auditing and Trusteeship has in the meantime submitted direct to the

25X1A

**CONFIDENTIAL**

~~CONFIDENTIAL~~

Federations and operating plants:

Directives for setting up the opening balance of the people's-owned enterprises on 1 July 1948

Directives for the final inventory of the people's-owned enterprises on 1 July 1948

Circular No. 2/1948 of 7 December 1948 concerning directives for setting up the opening balance of the people's-owned enterprises on 1 July 1948.

The deadline by which the 31 December 1948 balances must be submitted to the secretariat has not been set yet. However, the balances must be finished by 31 March 1949.

Point 2: Planning

Cost Planning for 1949

The Secretariat of the Industry Division of the German Economic Commission has developed new forms for setting up the plans for 1949. The Federations will be issued one set of forms each for cost planning, planning of receipts and expenditures, and planning of profits for 1949. Further forms, for general repairs, lowering of costs, and production schedules and planning of excess production, are still being drawn up. Deadlines for submitting these plans will be announced.

Point 3: Tax questions

In order to achieve uniform organization, the Main Administration for Chemistry has proposed to the Main Administration for Finance that:

a. The advance payments on corporation taxes for the people's-owned enterprises ~~xxxxxx~~ be made on the basis of the next-to-last quarter (to date they have been made on the basis of the last quarter)

b. Computing of the turnover tax for the people's-owned enterprises

25X1A

~~CONFIDENTIAL~~

**CONFIDENTIAL**

be based on the turnover of the month before last, instead of the last month as has been the case to date

c. The finished products on hand on 1 July 1948, according to the inventory, and available for sale without processing, be considered as "goods obtained" according to Paragraph 4, Section ~~xx~~ 4 of the turnover tax law, and thus either subject to the reduced wholesale tax rate of 0.75 percent or entirely free of turnover tax.

The Finance Ministry of Land Sachsen has allowed the wholesale tax schedule of ~~0.75~~ 0.75 percent for goods mentioned in Point 3.

Mr. Selbman has registered a complaint with Dr. Kastner concerning the delay in the negotiations on these tax questions at the Main Administration for Finance.

Below we quote from two circulars from the Main Administration for Finance to the Finance Ministries of the Laender:

Wage Tax; Indemnity to Employees of Public Corporations for Expenses Officially Incurred

"It has come to our attention that a number of public corporations are paying their employees part of their wages or salaries as "indemnity for expenses incurred on Government account" and are demanding wage-tax exemption for this portion of the salary according to Paragraph 3, Section 14 of the Income Tax Law and Article II of KG (TN: probably Corporation ~~xx~~ Law) 61. In this connection we must point out that such compensation is paid only to Land Ministers and <sup>1</sup>Landtag members and to those persons enumerated in the order of 26 October 1948, R 3/2225-25<sup>7</sup> S, and that only these payments will be recognized as tax-exempt compensation according to Paragraph 3 of the income tax law, and only up to the amount specified therein. For all other employees of public corporations the portion of the wages

25X1A

**CONFIDENTIAL**

or salaries designated as indemnity for expenses incurred on Government account is specifically to be treated as a taxable portion of the wages.

The individual employees are to establish or prove the actual expenses incurred in performance of their services as professional expenses."

Income Tax; Compensation to Members of Government Bodies for Expenses Officially Incurred

"According to Paragraph 3, Section 14 of the Income Tax Law, compensation paid from public funds, unless for loss of wages or loss of time, is tax-exempt. It may be assumed without special proof that compensation paid from public funds to employees and honorary

mayors

community, city or district councillors

community, city or district representatives

chairmen of community, city, or district councils

and not exceeding DM 200.00 is used for expenses incurred in the line of duty. There are therefore no objections to full tax exemption of such compensation, or to a tax exemption of DM 200.00 per month on higher compensation without special proof".

Point 4: Budget questions

October - December 1948

In the budget plan for October - December 1948 the following amounts were earmarked for:

Price subsidies: DM 19 646 000

Investments: DM 11 172 000

The Soviet Military Administration, Finance Administration, has so far approved for price subsidies: DM 4 857 125.18.

The Main Administration for Chemistry has proposed to disburse this

25X1A

**CONFIDENTIAL**

**CONFIDENTIAL**

sum as follows:

Alcid

~~Acid~~

Pommerensdorf DM 56 278.60

Heinrichshall DM 249 781.40

Potassium and Salts

Drei Kronen  
and Ehrt DM 182 018.59

Coal Products

Luetzkendorf  
(October-Novem-  
ber only) DM 3 910 318.30

Herrenleite DM 80 000.--

Erkner DM 378 728.55

---

DM 4 857 125.18

January - March 1949

The budget plan submitted for January - March 1949 plans for:

Price subsidies DM 10 570 000

Investments DM 13 223 000

Compensation for losses DM 1 135 000

---

DM 24 928 000

The investment of DM 13 223 000 is recommended by the Chemistry Division of the Soviet Military Administration, Mr. Bakin.

April - June 1949, April 1949 - March 1950

We quote the circular of the Main Administration for Finance:

"Budget estimates for 1949 (April 1949 to March 1950) and for the first quarter of 1949 (April - June 1949) -- Section: People's-Owned Enterprises:

We advise you today that the submitting of the annual budget estimate for 1949 and of the budget estimate for the first quarter of 1949

25X1A

**CONFIDENTIAL**

must take place on 1 February 1949 without fail. No extension of this deadline will be granted under any conditions. It is therefore in your own interest to start the necessary preparations now, so that you may be able to supply your budget department with the necessary figures concerning the subsidies for the people's-owned enterprises.

"Concerning the compilation of the budget estimates we refer you to our memorandum of 21 October 1948, R 2/1180-69A, which was issued to you previously. These principles apply also during the new budget year.

"The Federations are to submit the budget estimates for April - June 1949 and for April 1949 - March 1950 to the Main Administration for Chemistry by 20 January 1949 at the latest."

#### Point 5: Finance questions

##### Credit plans 1949/50

The credit plans submitted by the Federations for 1949/50 will probably have little chance of being realized. A certain number of investment plans from those made up have been submitted to Mr. Rau as priority plans. It can be assumed, considering the prevailing conditions, that the German Investment Bank will be able to finance only these projects. The details of these investment plans will be announced by the Main Administration for Chemistry at the conference.

##### Conditions of payment for Soviet Corporation enterprises

The Main Administration for Finance has answered our reports concerning conditions of payment for the Soviet Corporation enterprises as follows:

"The Soviet Corporation enterprises are obliged to observe the conditions of payment customary in this branch. If individual Soviet Corporation

25X1A

**CONFIDENTIAL**

enterprises do not observe these conditions, we request you to inform us of this fact, in order that we may be able to take steps through price control methods."

Point 6: Auditing

The Federations are requested to submit a short outline of the status of the auditing process.

Point 7: Price questions

See record of meeting on 3 December 1948.

So far none of the Federations has submitted the necessary data for price proposals and conditions of payment.

Price increases for export shipments:

We cite the circular No. 80/48 of 10 December 1948 on foreign trade:

"Additional charges for export shipments for which price increases are pending:

"According to the regulations in force, higher prices are recognized for charges on export shipments only when the price authority has made its decision on a request for a price increase before the final bill in DM is presented after shipment. Clauses for price readjustment are specifically not permitted.

"If requests for price increases are pending, this regulation exposes the exporters to a considerable risk, which often causes export firms to hesitate to undertake and carry out export commitments. In order to enable exporters who have requested price increases to ship export goods before their request has been approved, the Main Administration for Finance has informed the German Economic Commission of its readiness to make exceptions to the general prohibition of price readjustment clauses, *in individual* cases.

25X1A

**CONFIDENTIAL**

**CONFIDENTIAL**

~~cases~~. That would mean that the shipper is permitted to set conditions for the payment of an additional charge covering the difference between the present price and the future approved price. Requests by the firms to be excepted from the rule prohibiting price readjustment clauses are to be made to the Main Administration for Finance of the German Economic Commission via the price authority of the Land. The export firms are to be advised of this possibility."

Group prices for lacquers and paints

The Dresden price control office was informed that the Federation "Lacquers and Paints" has determined group prices for the zonal industry, and that the same job is to be carried out independently by private industry. The Dresden price control office will issue the pertinent instructions to the private firms.

Point 8: Reports

Monthly reports

The short reports submitted by the Federations for November 1949 [sic] are not yet complete in all parts. Especially data on the financial status of the plants are missing in many cases.

In order to obtain a fairly comparable picture of production figures, it is necessary that these Federations whose production is ~~not~~ <sup>not</sup> measured ~~not~~ <sup>entirely</sup> only by weight in tons convert all other production data to the equivalent value in tons.

Yearly report

~~Wood~~ yearly on the partial fiscal year 1948

The Main Administration for Chemistry must submit a report on the partial fiscal year 1948 to the Industry section of the German Economic Commission. The actual results can be known only after the 31 December 1948 balances are completed. Therefore it will be necessary first to

25X1A

**CONFIDENTIAL**

**CONFIDENTIAL**

submit a provisional report. The Federations are requested to submit this report before 25 January 1949.

Point 9: Fachkontenrahmen

Point 10: Miscellaneous

Designation of the plants

Enclosed is a compilation of the plants of the individual Federations with the designations of the individual plants, as established by Mr. Selbmann. The Federations are to inform the plants of the new firm titles and to see to it that the old names are withdrawn and only the new designations of the individual plants are used.

Taking over of new plants into zonal administration

The Main Administration for Chemistry has proposed the taking over of 31 plants for zonal administration. Mr. Selbmann has refused this and has made plans for taking over only the following plants:

1. Vereinigte Thueringer Presswerke (United Thuringen Pressed Products Plant), Sonneberg -- to be taken over by "Plasta".

2. Zschimmer & Schwarz (Commercial Department), Siegmar-Schoenau -- to be taken over by "Alcid".

The following are to be cancelled:

Strontium and Potash Factory, Dessau ("Alcid")

Kleinefeld & Schrader, Magdeburg ("Lacquers and Paints")

Phenoplast, Eberswalde ("Plasta")

The Soviet Military Administration has not yet confirmed the incorporations or cancellations.

Depreciations scales

On the basis of the lists submitted by all Main Administrations concerning the effective length of life of the plant equipment, the Main Administration for Finance has worked out uniform depreciation scales, which

25X1A

**CONFIDENTIAL**

~~CONFIDENTIAL~~

have been submitted to the Soviet Military Administration. Conferences are under way in which it is proposed to take into consideration extra wear of the equipment through multi-shift operation by introducing uniform, additional percentage rates.

Continuously operating equipment is to be excepted from the additional rate for multi-shift operation. The Main Administration for Chemistry was of the opinion that the determination of the length of life of equipment refers, even for this type of equipment, principally to one-shift operation, whereby the fact must be considered that this equipment lies idle for fairly long periods between the periods of operation. The Main Administration for Finance has recognized this objection. It was established that the estimates of the Main Administration for Chemistry were generally around the upper limit, so that the introduction of the new uniform scales will probably cause no great change in the average depreciation rates used so far. A proposal is being considered for compiling the differences between the uniform scales and the individual scales in a special Class 2 account and including them in the profit-and-loss calculation.

Turnover in 1000 DM, 1948

Federation	First Quarter 1948	Second Quarter 1948	Third Quarter	October 1948	November 1948
Alcid	7 166	8 299	8 327	3 195	2 517
Organa	14 154	16 234	15 522	6 899	5 278
Potassium and Salts	15 932	15 991	13 076	5 561	3 977
Coal Products	12 596	10 622	12 188	2 892	3 878
Subsidy paid					
Remainder					
Oxyka	2 088	2 191	3 266	990	1 012
Plasta	3 810	3 726	3 562	1 375	1 553 25X1A

(Totals on line 10 on next page)

~~CONFIDENTIAL~~

	First Quarter 1948	Second Quarter 1948	Third Quarter 1948	October 1948	November 1948
Lacquers and Paints	10 590	11 675	11 595	3 823	4 734
Sapotex	20 120	26 675	28 722	7 763	10 475
Pharma	6 756	8 001	6 626	2 993	2 402
Variochem	7 683	8 909	8 240	3 772	3 455
	100 875	112 323	111 124	39 263	39 281

25X1A